CS150-6
12-5-88

MS JEANNE LONG
CONGRESSIONAL INFORMATIO 166
4520 EAST-WEST HIGHWAY/STE 800
BETHESDA MD 20814

National
Home Center News ®

Vol. 14, No. 24 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Nov. 28, 1988

Major chains push expansion into Northeast

Hechinger buys Triangle Building Centers to increase foothold in Pa.

See Perspectives for more on the Northeast

By an NHCN staff editor

LANDOVER, Md. — The six-unit Triangle Building Centers is expected to retain its name and operating management following its purchase by Hechinger Co. for $27 million.

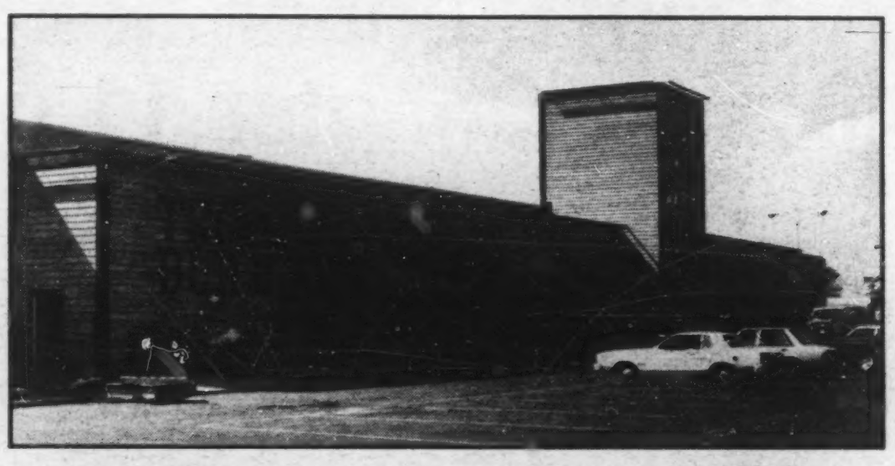
The acquisition of the southeastern Pennsylvania chain comes three months after Hechinger, based here, had purchased 47 Bradlees Discount Department Stores, a network of stores that stretch from North Carolina to metropolitan Philadelphia.

Based in Quakertown, Pa., Triangle Building Centers sales grew 67 percent between 1986 and 1987, to $60 million. It was purchased from Triangle Supplies and Lumber, a holding company.

Except to state his delight with the merger, Martin Schaeffer, senior vp and general manager, declined to discuss his company's takeover by the 79-unit Hechinger.

Pam McMillan, a Hechinger spokesperson, said the acquisition gives her company a strategic opportunity to "fill out" markets in which Hechinger had not competed previously. "This complements the Bradlees [acquisition] very well," she said.

(Continued on page 4)



Triangle Building Centers, including this one in Wilkes-Barre, Pa., will retain their names after the Hechinger purchase. NHCN photo

Home Depot acquires three Modell's units in its New York expansion drive

By Milford Prewitt

ATLANTA — The Home Depot took the first steps in its long range mission to operate 50 stores in the New York metropolitan market by acquiring three Long Island, N.Y., discount stores that will be converted into its warehouse home center format.

In a deal announced Nov. 3, the 88-unit warehouse operator will buy one and sublease two Modell's Shoppers World units from Henry Modell & Co., a 29-unit discount and sporting goods company based in East Meadow, N.Y. Modell's is better known in the New York area as a sporting goods operator, and since this year has been scuttling its six discount stores in order to concentrate on sporting goods.

Although neither company would disclose details of the deal, Michael Modell, president of the company, said the Home Depot bought one store in Patchogue, N.Y., and will sublease units in Commack and East Meadow.

Modell said all three stores are approximately 110,000 square feet. At the Commack and East Meadow units, Modell will build new 10,000- to 20,000-square-foot sporting goods stores adjacent to the Home Depots, he said.

Arthur Blank, president of The Home Depot, would not estimate how long it would take to convert the units into the company's format. He also declined to project a likely grand opening date.

"I really can't do that for competitive reasons," he said.

(Continued on page 6)

Price hikes might put chill on winter promos

By Tom Bagsarian

NATIONAL REPORT — As the days grow shorter and the weather gets colder, some winter-related products will be priced higher than in years past. Everything from snow shovels to bird seed, kerosene heaters and antifreeze will cost shoppers more money in some stores.

Merchandising

But the reasons for these anticipated price hikes vary, and they are not expected to affect all winter products.

ACO, the 64-unit hardware store chain based in Farmington Hills, Mich., is sticking with the winter inventory that has been successful before. However, ACO will carry more bird feeders and bird seed, according to Ken Williams, that company's garden merchandiser. Although Williams expects feeder prices to remain steady with last year's, he noted seed, which Williams said was a high-margin item, could rise in price by as much as 10 percent.

The reason for the jump in seed prices, a commodity item, is the summer's drought, said Fred McManus, marketing manager with Agway, the Dewitt, N.Y.-based farm and home center chain. Agway is also expanding its number of feeders, whose prices have remained relatively constant, McManus said. Customers are buying more expensive feeders, he also noted.

(Continued on page 4)

Pro, Allied merger extends market clout

By Gary S. Ruderman

STAMFORD, Conn. — The merger of the Pro Hardware and Allied Hardware marketing groups, slated for January, will give the combined forces new buying clout and will provide Allied's 29 wholesaler/members with their first marketing and store development program.

The deal, signed Nov. 4 and planned for a Jan. 1, 1989 closing, means the Pro group would become a nearly $1 billion business and could wield more negotiating leverage with vendors.

This was the second major move for Pro, based here. Last year, the 600-store United Hardware Distributors in Minneapolis became the first such dealer-owned organization to join a marketing organization such as Pro. United's members are known by the Hardware Hank name in 11 north central states.

The privately held Pro is the marketing group for 16

(Continued on page 38)

Gary Cosgrave, president and ceo of Pro Hardware

Surveillance tags nab would-be thieves

By Edward McKinley

NATIONAL REPORT — Electronic surveillance tags have helped a New England hardware retailer nab more shoplifters, including a trusted credit account customer and an employee who was under consideration for promotion.

"It's a real eye-opener," said Scott Hassett, manager of J. P. O'Connor True Value in Billerica, Mass. "You really don't know who's stealing from you."

The tags, now available as paper stickers that attach to merchandise or packages, set off an alarm if anyone tries to leave the store without paying.

Manufacturers offer pads that quickly defuse the stickers at the checkout stand.

Known as EAS for electronic article surveillance, the concept gained importance years ago for many retailers, but manufacturers of the systems said home center operators have lagged behind.

"They're just putting their toe in the water," said William Schneck, vp-marketing for Checkpoint, the Thorofare, N.J., supplier.

Wider retail acceptance

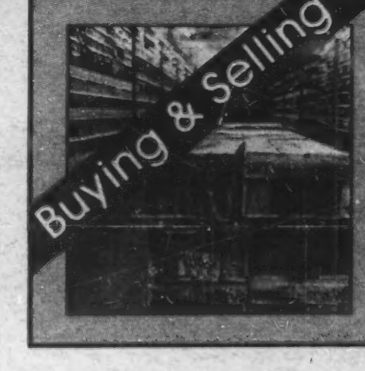
"The home center business has not gotten in until this year," Schneck continued. "They're just beginning to accept the fact that they're getting ripped off big."

He said a number of home centers now use Checkpoint systems, including NHD Stores, the Stoughton, Mass.-based chain of 33 stores.

(Continued on page 37)

INSIDE

Big chains invade last frontier in Northeast 18



Sheer number of fastener items means headaches 23

NEWSBREAKS

HOME DEPOT'S THIRD QUARTER EARNINGS SKYROCKET: The 88-unit Atlanta-based chain's net income shot up 75.7 percent to $9.7 million, or 33 cents per share, for the quarter ended Sept. 30. Three-month sales rose 40 percent to nearly $510 million. For the nine-month period, Home Depot's earnings jumped 51.9 percent to $38.1 million on sales of $1.47 billion, a 36.6 percent increase and more than the chain's total volume for all of 1987.

INDUSTRY UPDATE

L-P to produce new wallboard

PORTLAND, Ore. — Louisiana-Pacific has solidified plans to build a plant in Canada to produce a new kind of gypsum wallboard panel that purportedly has superior qualities over traditional drywall.

Harry Merlo, chairman and president of L-P, said the company will build a fiber gypsum plant on Cape Breton Island, Nova Scotia. Construction is scheduled to begin in early 1989 with completion set for early 1990. The plant will employ 100 people and will produce 240 million square feet of fiber gypsum board on a ½-inch basis.

Merlo said the site was chosen because of the abundance of gypsum ore in the area, the work force and the support of the Federal and Provincial agencies of Canada.

As reported in *NHCN* in March, both L-P and Furman Lumber are vying to build plants to produce a product that its makers say might revolutionize drywall. Both L-P and Furman Lumber will utilize a well-known European drywall product in which the gypsum ore, paper, and wood fiber are ground together to make one homogeneous panel. The producers say tests have shown the fiber gypsum panel exceeds traditional gypsum in nail retention, water repellency, and can be handled more roughly without chipping. In addition, the L-P's board will eliminate the need for elaborate taping and caulking.

Westlake runs Lone Star units

LENEXA, Kan. — Westlake Hardware assumed management control and placed its own managers into the fledgling Lone Star Hardware operations in Florida, Texas and Oklahoma.

After a year of lower-than-expected earnings and higher-than-expected expenses and the resignations of both presidents at the Florida and Southwest divisions of Lone Star, Westlake took over Oct. 27. Westlake, based here, franchises the Westlake Hardware name to the 26-store Lone Star chain. Senior Westlake managers are also owners of the Lone Star operations.

George Smith, former manager for the Oklahoma City store, is now director of operations at the 19-store Florida operation, formerly the Lindsley Home Care chain.

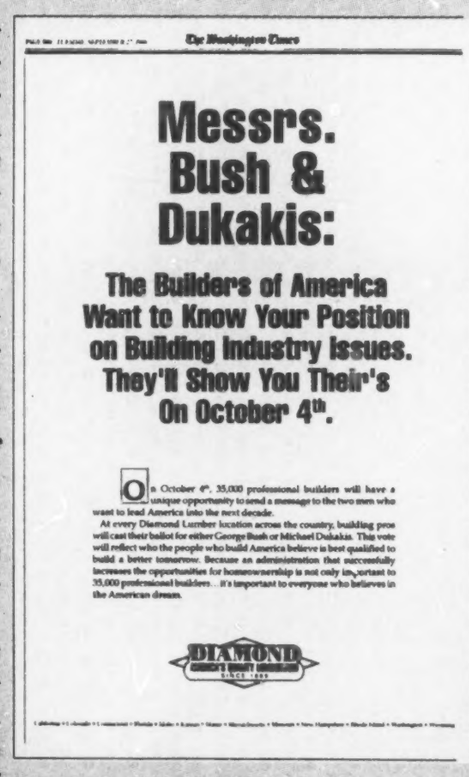
Scherer Lumber founder dies

MEDINA, Minn. — Meinrod "Munn" Scherer, cofounder of Scherer Lumber in Minneapolis, is dead at the age of 80. He died of a stroke at his home in Medina, Minn., Oct. 21, according to his nephew Roger Scherer, president of the single-unit contractor yard founded in 1930.

"His proudest accomplishment was his family," said Roger Scherer. A Minnesota native, Munn Scherer was active in the business until 1978. He was a longtime member of industry organizations including the International Order of Hoo Hoo.

Diamond writes to candidates

WASHINGTON — Diamond Lumber, the Dallas-based chain, attempted to provoke interest in the housing market in the two presidential candidates with this full page ad in *The Washington Times*.


The Washington Times

Messrs. Bush & Dukakis:

The Builders of America Want to Know Your Position on Building Industry Issues. They'll Show You Their's On October 4th.

On October 4th, 35,000 professional builders will have a unique opportunity to send a message to the two men who want to lead America into the next decade.

At every Diamond Lumber location across the country, building pros will cast their ballot for either George Bush or Michael Dukakis. This vote will reflect who the people who build America believe is best qualified to build a better tomorrow. Because an administration that successfully increases the opportunities for homeownership is not only important to 35,000 professional builders... it's important to everyone who believes in the American dream.

DIAMOND

"People asked us why we would do such a thing when we don't even have any stores in that area," said Wayne Nalls, vp of marketing for the company. "Although it was Diamond's ad, it brought the industry a lot of attention."

The ad preceded the company's mock presidential election Oct. 4, in which the company's 64 stores served as polling places for builders, contractors and remodelers.

Of the more than 5,000 votes cast, builders overwhelming voted for George Bush (71 percent) over Michael Dukakis (29 percent). As it turned out, Diamond and other dealers will now be directing their efforts at President-elect Bush.

Sears 'clearing the shelves' in preparation for its new strategy

By Gary S. Ruderman

CHICAGO — The industry's biggest competitor is having a sale.

From the world's tallest building to the lowliest sku, Sears, Roebuck & Co. is disposing of many of its assets. Part of that process will include a "near term" blitz of promotional activities to reduce inventories and boost sales.

Even before the shelves and warehouses are cleared, the nation's No. 1 retailer will shift its emphasis to everyday low pricing and away from its 30-year-long dependence on promotional sales. This move began, almost imperceptibly, early this year in Sears' automotive departments.

Intense competition from discounters accelerated some of the change. "I've got friends that say they never buy from Sears unless its on sale," explained Hank Amrhine, Black & Decker's national sales manager handling the Sears account. "Wal-Mart, K mart and others have good prices all the time and get the traffic. Sears [now] feels its needs to be competitive everyday."

Reducing the cost of promos

Michael Bozic, chairman of Sears' merchandising group, said the changes weren't initiated because on-sale merchandise wasn't turning. Rather they were made because of the expense of gearing up for the monthly sales: a cumbersome, 51-step process that cost Sears $80 million in the promotional planning alone to put 8,000 stockkeeping units on sale each month at its 825 stores.

Bozic, speaking to analysts and selected reporters Nov. 7, said the retailer's merchandising group plans to save $200 million a year by cutting inventory and streamlining warehousing.

In his presentation, corporate chairman and ceo Edward Brennan said Sears has no intention "to reformat our business as a discounter." Sears will neither emulate discounters nor make its stores more self-service.

Instead, Brennan said, Sears will reduce its promotion-related costs and free up retail space and inventory dol-

(Continued on page 38)

Ajayem Lumber, despite profits, files for Chapter 11 protection

By an NHCN staff editor

WALDEN, N.Y. — Ajayem Lumber Corp., a well-known New York lumber distributor with branches and customers in the Midwest and along the Eastern Seaboard, has sought protection from its creditors under Chapter 11 of the Federal Bankruptcy Code.

In a candid review of the wholesaler's problems, Aaron Modansky, president of the 42-year-old company, told *NHCN* the filing was a result of uncooperative lenders, "runaway corporate overhead," inventory excess and the intense competitive pressures the company faces in the South.

"This was something we had to do in order to protect our own situation as well as our [trade] creditors," Modansky said. "When you are in the situation we are in, you can't be thin-skinned.

"This has given us an opportunity to go forward."

Modansky said the reaction to the news by the company's suppliers and customers had been encouraging.

A source familiar with the company said the Ajayem's problems had more to do with the adversarial relationship Ajayem had with its major lender, Continental Illinois, than with the market, although neither the company nor the bank would elaborate.

Modansky said the company has permanently closed two distribution facilities in Charlotte, N.C., and Tampa, Fla. A third DC in Columbus, Ohio, will remain in operation, he said.

Modansky indicated that when the two southern branches' chronic losses were added to Ajayem being overinventoried —particularly in plywood—the financial drain of keeping the Charlotte and Tampa operations became intolerable.

To a "very small degree," Modansky agreed with some

(Continued on page 38)

NBMDA's annual meeting addresses technology and employee shortages

By an NHCN staff editor

NEW ORLEANS, La. — As this city's fans cheered on the Saints football team against the Los Angeles Rams in the Superdome, another raucous event was taking place next door in the Hyatt Regency hotel: the start of the National Building Material Distributors (NBMDA's) annual meeting.

The 90-member Southern University marching band shook the hall with a cacophonous version of "When the Saints go Marching In," accompanied by silver-sequined majorettes strutting down the aisles to open the association's 37th annual meeting.

This loud fanfare was a fitting start for the association's largest meeting of the decade, with 950 attendees. It reflected the recent work that the NBMDA has done to strengthen its organization and better service its dealer members, who now represent more than $7 billion in building material sales.

Keynote speeches and seminars touched on the many changes facing the industry, in particular, how to increase profits through technology and better inventory management.

Under the convention's theme of "Bringing the Best Together," it assembled 169 exhibitors and put on a seminar for manufacturers and distributors to discuss ways of improving their relations.

The presidential election formed a backdrop to the whole convention. Michigan congressman Guy Vander Jagt gave the keynote speech on pursuing the American dream. Judge Robert H. Bork, whose nomination to the Supreme Court was rejected by Congress last year, continued the political theme when he reiterated his conservative view of politics and the Constitution as guest speaker at the awards luncheon the following day.

But the overriding concern of the convention was with the changing labor pool and the need to educate the industry at all levels to sustain its growth.

"The number of jobs will greatly exceed the number of people available. The unemployed female and under-employed minorities and retirees will be your labor pool and you will have to accommodate even more part-timers," said Phil Unger, group vp of building products for Armstrong World Industries, at the opening session.

Education is the prime focus of the NBMDA, which this year established an Education

(Continued on page 37)

For editorial, advertising or subscription information call NHCN*'s main offices at:*

212-371-9400

EDITORIAL: EXT. 229

SALES: EXT. 236

SUBSCRIPTION: EXT. 379 or 419

Available for calls 9-5:30 (E.S.T.)

INDEX

Advertisers Index 38
Classified 35,36
Company Index 38
Editorial 14
Perspectives 17
Cover Story 18,19
Buying & Selling 23
Merchandising 25,26,27
Ad & Marketing 28

Perspectives

THE NORTHEAST

Well-financed newcomers battle entrenched retailers for a $15 billion market

By *NHCN* staff

REGIONAL REPORT — A trickle has turned into a stream and could become a flood.

After years of rumors and faint-hearted starts, three of the home center industry's most competitive chains have finally gained solid footholds in the Northeastern Seaboard in general and the New York metropolitan area specifically.

In what might represent the last frontier for home center store expansion, the Northeast—particularly its coastal region—is finally luring national chain operations that heretofore have opted to compete elsewhere.

However, the northeastern expansion of such chains as Builders Square, Home Depot, Hechinger, Grossman's, Somerville Lumber, Rickel and Channel might be occurring at a time when the region's aura for boundless sales opportunity may be diminishing, with housing starts off and the growth rate of population and consumer home improvement spending slowing.

Big chains make their moves

Those prospects, though, haven't deterred expansion, at least not yet. In the past 45 days alone the home center landscape in the Northeast has changed drastically:

- On Nov. 3, The Home Depot purchased three Modell Shoppers World stores, a sporting goods chain, on Long Island, N.Y.;
- Four days later, Hechinger bought the six-unit Triangle Building Centers chain based in Quakertown, Pa., about 30 miles northwest of Philadelphia;
- Builders Square made its first foray into New England in September with units in Nashua, N.H., and in Orange and Farmington, Conn., giving the chain seven units between Philadelphia and Maine.

Those encroachments into the Northeast were preceded by earlier events.

Hechinger opened its first New England unit in Newington, Conn., in March and recorded its highest grand opening sales in the chain's history. It expects to open its first Long Island-area store in East Northport, N.Y., early next year. More recently, the company bought 47 Bradlees Discount Department Stores in mid-August. Although Hechinger announced that it only intends to keep half of the Bradlees' units, about 15 are in the Philadelphia vicinity.

The Home Depot, meanwhile, in preparing the backup support for what may be 50 stores in the New York metropolitan market, restructured its corporate merchandising staff and has opened a regional buying office in Piscataway, N.J.

As it did in California and Arizona, Home Depot has begun the process of recruiting market-wise merchandising executives from local chains. It recently hired Ken Gourley from Channel as a regional merchandising manager, as the company prepares to open units in East Hanover, N.J. and North Haven, Conn.

The expansion of Builders Square in the Northeast and the arrival of the Home Depot are frightening developments to independent lumber dealers, many of whom have enjoyed unprecedented prosperity since the housing recovery in 1982 (*see other story*).

Because of the chain invasion in the Northeast, shoppers in West Haven, Conn. have, among other choices, this Builders Square (above) or Grossman's (left). The local chains have been forced to develop a strategy for competing against the newcomers. Stanley Berman outlines Grossman's approach: "Builders Square can come into a market and disrupt [a market's] pricing for a short time, but in the long run, we're placing our emphasis on quality goods and services."

Larger Northeast chains, however, though concerned about the arrival of new competitors, said they have the resources to deal with the onslaught.

Stanley Berman, senior vp-administration for Grossman's, which has more stores in the Northeast than any chain, said the company, in important markets, will grow using a showroom prototype expanded to 52,000 square feet to accommodate a broader product mix. These moves, Berman said, are to blunt the reception of Builders Square and other invaders, and prevent the loss of any market share.

"Builders Square can come into a market and disrupt [a market's] pricing for a short time," he said. "But in the long run, we're placing our emphasis on quality goods and services."

Indeed, it appears that many entrenched chains are going the larger-store route to preempt the warehouses. Throughout 1988, Pergament has been opening or expanding many of its stores into a warehouse-style format. Rickel's 53rd store, a 65,000-square-foot unit that opened Nov. 6 right across the street from Hechinger's new store in Newington, Conn., has the largest outdoor lumberyard in the chain.

The question is: Why is all this expansion happening now? And the answer appears to be: There's no place else to go that offers the Northeast's promise of investment return.

Until now, dealers have shied away from the Northeast's high real estate costs (Grossman's is spending anywhere from $2 million to $4 million for an eight-acre parcel of land), high salaries, unions and inflated advertising expenses, and have focused their growth in markets like southern California, Phoenix, Dallas, Houston and Chicago, where it was cheaper, presumably, to operate stores.

But those markets, for all intents and purposes, have been fully mined for their growth potential, and dealers have turned their expansionary eyes towards northeastern markets that have always had strong economic vitality and, more important, population density and affluence.

The Northeast takes up only 3.4 percent of the U.S. land mass and is only about four-fifths the size of California. Yet it is home for 32.4 million people, 13 percent of the nation's population. The region has more than 16 percent of the country's households and nearly one-fifth of its disposable household income. The region enjoys an average household income of $45,000, 20 percent higher than the national average.

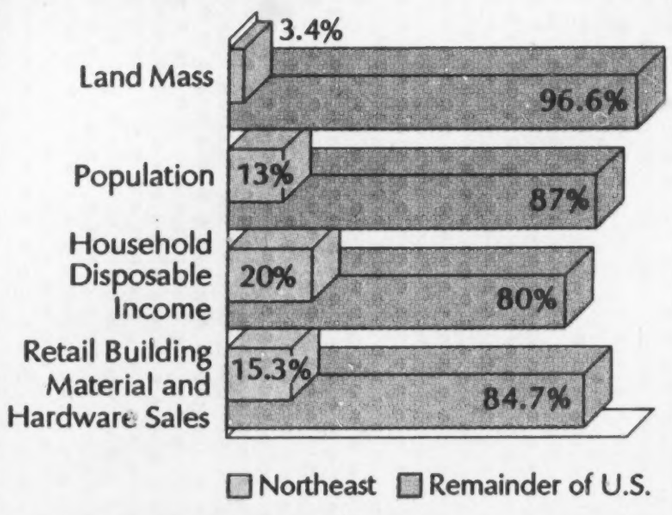
More significant for home improvement dealers is the statistic showing that the eight northeastern states plus the Philadelphia metropolitan area are expected to generate $14.85 billion in retail hardware and building material sales in 1988, 15.3 percent of the nation's total in 1988, according to *Editor & Publisher's 1988 Market Guide*.

Butting heads in a shrinking market

Some financial analysts believe the national chains' foray into the Northeast will be a successful one. Bo Cheadle, an analyst for Montgomery Securities, San Francisco, expects some of the Northeast chains—particularly those that have never before competed against Hechinger or the Home Depot—will sustain the same kind of profit and margin erosions Scotty's experienced when the warehouse chains hit Florida.

(Continued on page 20)

Affluence and population make the Northeast attractive . . .

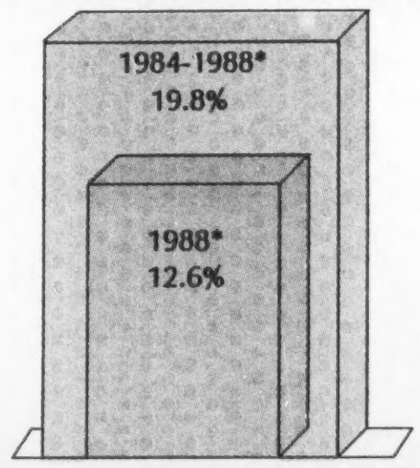


Despite taking up only a small area of the U.S., the Northeast accounts for a great portion of the country's wealth and people. *NHCN* Chart

Source: Editor and Publisher 1988 Market Guide

. . . but home improvement sales growth is slowing . . .

Rate of sales growth for retail hardware and building materials in the Northeast



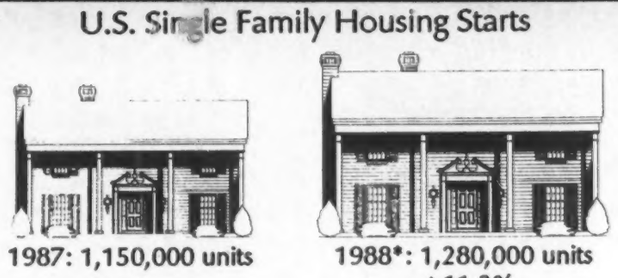
*Projected figure

The region, which will hit $14.85 billion in retail hardware and building material sales, has been experiencing a slowdown from historic levels of growth. *NHCN* Chart

Source: Editor and Publisher 1988 Market Guide

. . . and the housing market has softened.

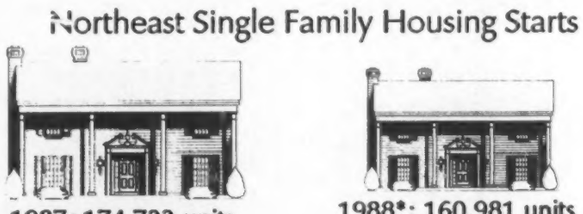
U.S. Single Family Housing Starts



1987: 1,150,000 units

1988*: 1,280,000 units
+11.3%

Northeast Single Family Housing Starts



1987: 174,723 units

1988*: 160,981 units
-7.9%

* Projected figure

And single unit housing starts for the area this year have dropped off by 7.9% while starts throughout the country have risen by 11.3% *NHCN* Chart

Source: National Association of Home Builders

Chains enter Northeast despite regional slowdown

(Continued from page 19)

"Scotty's hasn't had an up year since the Home Depot entered Florida," he said.

What strikes some industry observers as ironic, though, is the disturbing feeling that the "invaders" are coming to the Northeast at a time when the regional economy is starting to soften.

One barometer for this is the home construction market, in which the Northeast has been one of the most robust in the nation for several years. Single-family housing starts in the Northeast are projected to fall by 7.9 percent to 160,981 units in 1988 at a time when single-family unit construction is expected to increase 11.3 percent for the nation as a whole, according to the National Association of Home Builders.

The region's 12.6 percent growth rate for retail hardware and building materials sales projected for this year, while still running ahead of the nation, would represent a decline from to the area's five-year (1984-1988) annual average of 20 percent.

Moreover, in an unsettling report entitled "Residential Remodeling: The Big Chill" released last month, Shearson Lehman Hutton's construction division forecasts a steep drop in residential remodeling expenditures, which last year equaled $25.7 billion in the Northeast, compared to $17.1 billion in the West.

According to its authors, northeastern homeowners, with the nation's highest per capita incomes, historically have spent more remodeling dollars per unit than residents in other regions ($32,091 in 1987, compared to the highest total of $21,770 in the West). But that's been fueled, at least partially, by home prices that have increased about 16 percent a year between 1982 and 1987, considerably higher than the national average. Consequently, the Northeast homeowner has so much money tied up in his mortgage that there's little left for major remodeling projects.

These data serve as a backdrop for the recent retail home improvement expansion that, in the not-too-distant future, could find The Home Depot, Hechinger, Builders Square, Somerville Lumber, Grossman's, Rickel, Channel, Pergament, Lloyd Home & Building Centers, Mr. Goodbuys and 84 Lumber (not to mention scores of strong independents) all competing for the same turf in some New York or Connecticut market.

The future is now in the Long Island town of Patchogue, where one of the Modell's stores bought by Home Depot is across the street from an older Pergament, a short drive from a Pergament Superstore and within a five-mile radius of a Rickel, a Channel, an 84 Lumber, a Grossman's and an aggressive, project-oriented regional dealer, General Building Products.

The same thing is already true in West Haven, Conn., where Grossman's opened a new 44,000-square-foot store last month within a mile of a Pergament, a Builders Square and several independent yards.

The prospect of an expansionary juggernaut in the Northeast makes some dealers wonder if the region, like Houston, Phoenix, or Chicago before it, will become overstored.

Ron Brill, Home Depot's senior vp and cfo, counters this argument by pointing out that the same observations were made when his chain expanded into Florida and California. "We move to a market based on the volume that is there, not on who the competition is."

But one person concerned about the likelihood of overstoring is Tom Thornton, president of Mr. Goodbuys, the 17-unit, Philadelphia-based warehouse operation. His company joined the Long Island fray for the first time with two stores this summer, and also has stores in northern New Jersey.

. "The Northeast is going to be overstored," Thornton said. "All the players are going to be affected by the arrival of the Home Depot, some worse than others.

"I certainly don't think the Northeast is as attractive right now as it was acouple of years ago."

Ann Plaut, Channel Home Centers' corporate spokesperson, agrees. "We do think the most fertile period is over."

This story was reported by Milford Prewitt, John Caulfield, Elizabeth Brent and Edward McKinley, and written by Mr. Prewitt.

THE NORTHEAST INCUMBENTS

Grossman's: (Conn., Maine, Mass., N.J., N.Y., Pa., R.I.)	143*
Channel: (Conn., Mass., N.H., N.J., N.Y., Pa., R.I.)	95
Rickel: (Conn., N.J., N.Y., Pa., R.I.)	51*
84 Lumber: (Conn., Mass., N.J., N.Y., Pa., R.I.)	50**
Pergament: (Conn., N.J., N.Y. metro)	42
Lloyd Home & Building Centers: (Conn., N.Y.)	24
Valu Home Centers: (western N.Y.)	23
Wickes Lumber: (Conn., Maine, Mass., N.J., N.Y., Pa.)	23**
Hechinger: (Pa., N.J., N.Y., Conn.)	22†
Diamond Lumber,: (Conn., Maine, Mass., N.H., R.I.)	15
Gerrity Building Centers: (N.H., Maine, western N.Y., Vt.)	13
Mr. Goodbuys,: (Pa., N.J., N.Y. metro)	13
Chase-Pitkin: (central and western N.Y.)	11
The Strober Organization: (Conn., N.J., N.Y metro)	11
P.F. O'Connor: (Conn., Mass., N.H., R.I.)	10
Somerville Lumber: (Mass., N.H., R.I.)	8*
Builders Square: (Conn., Pa., N.J., N.H.)*	7
	Total: 561

*Grossman's count includes Oct. 21 opening in West Haven, Conn.; Rickel count Nov. 6 opening in Newington, Conn.; Somerville Lumber count Oct. 24 opening in Acton, Mass.; Builders Square count includes September store openings in Orange and Farmington, Conn., and Nashua, N.H.

***NHCN* estimate

†Hechinger count includes March 5 opening in Newington, Conn., and Nov. 7 purchase of six Triangle Building Centers.

Source: Company officials *NHCN* chart

Seventeen chains are currently doing battle in the Northeast from Maine to Philadelphia. The prospect of more aggressive expansion by warehouse chains like Builders Square and Home Depot and retailers already in the market augurs a shootout among chains and independents.

Locals plan defense against price-cutting invaders

By Edward McKinley

NASHUA, N.H. — Add this city to the list of places where independent home center dealers find themselves tempted to buy from a retail competitor.

The reason: Builders Square has come to town and is selling commodity building materials for less than the prevailing wholesale prices.

The San Antonio, Texas-based Builders Square and other national chains are rolling into the Northeast, bringing cutthroat pricing and using higher wages to entice workers from the area's established home centers.

To defend their turf, independents are relying upon contractor business, customer service, local reputation, personal relationships and specialized departments.

Industry sources said those defenses could help the Northeast's single-store retailers and small chains fare better than their counterparts in other regions which failed in the struggle with the big national chains.

But, no one suggested success will come easily for the independents of the Northeast.

"How do you defend against companies that sell below regional cost?" asked Guy Ryan, president of the five-store Lumbertown, with headquarters in Nashua.

"There is a big danger to the distribution system of building materials as we know it."

The threat arose, he said, when Builders Square began underselling the local Georgia-Pacific distributor on certain building products.

Moreover, the Nashua Builders Square has offered to act as a distributor to local independents, Ryan said.

He said he pays $8.20 wholesale for USG joint compound that Builders Square retails for $6.75.

(Continued on page 20)

Sears 'clearing the shelves' to prepare for new strategy

(Continued from page 2)

lars. Sears retains the market share lead in 74 major lines including power tools, garage door openers and exterior paint, Brennan said, even though industry sources have indicated that Sears' share in many of these categories has been sacrificed to discounters and home centers.

Bozic elaborated, saying Sears would narrow its assortments overall, opening "opportunities on shelves . . . for additional private labels and national brands."

This decision, according to industry vendors, could heat up competition between the nation's power tool vendors for space on Sears' shelves.

More brands to be stocked

It is premature, though, to guess which lines would be trimmed since Sears itself won't say when everyday low pricing begins. Over the past year, in a test unit in Wichita, Kan., which was operated with $300,000 less inventory than a typical Sears unit, the company found it was able to carry a broader, faster turning product mix.

But comments by both Bozic and Brennan show one key area of concern. In its shift to shrink its automotive departments in favor of full-service facilities, automotive skus shifted into hardware. Bozic was unable to say whether that area's hardware items were cut back or whether the area expanded to take on the automotives.

Already, the retailing giant is increasing its reliance on two-step distribution from this industry. Two months ago, *NHCN* confirmed that Sears' satellite paint and hardware stores were receiving shipments of brand name merchandise from members of Sentry Hardware, Des Plaines, Ill. (*NHCN*, Sept. 5).

Sears is also buying DIY plumbing products from at least two large industry suppliers: Chicago Specialty and Masco's Plumb Shop division.

Vice president-home improvement John Parsons told *NHCN* that the company is looking to take on branded products in a variety of categories, but only when that merchandise wouldn't jeopardize the proprietary brand—Craftsman, Weatherbeater, Kenmore, Eagle—that Sears has built its reputation on.

Brennan and Bozic's comments came on the heels of the Oct. 31 announcement that Sears would include:

- cutting costs internally and refocus on everyday low pricing in its merchandise group;
- selling the world's tallest building, the 110-story Sears Tower in Chicago, as well as the commercial division of Coldwell Banker real estate group and Allstate's health and group life insurance business and,
- repurchasing 10 percent of its common stock, or about 40 million shares.

Ajayem Lumber files for Ch. 11 protection

(Continued from page 2)

industry observers that Ajayem was also hurt by the price drop in southern yellow pine and the virtual halt in demand for treated lumber. But he tended to see that dimension as an industry-wide cyclical development and not one endemic to Ajayem.

He said the company will continue to service some customers in the South that depended on the recently closed operations. Those that cannot be efficiently serviced will probably establish contacts with other wholesalers, Modansky conceded.

"In times gone by, we have worked with many customers who were in the same situation [such as] Diamond Lumber, Wickes, Grossman's," Modansky said of three retailers that went through bankruptcies of their own. "We served them when they went into Chapter 11 and came out of it profitably.

"So we look upon this optimistically and see it as a new beginning."

Sal Giello, eastern region credit manager for Weyerhaeuser, Marlton, N.J., said a creditor's committee had not been organized by press time.

Atypical filing

He said Ajayem's filing was not typical of most Chapter 11s he has seen over the years. The main difference between Ajayem and others, Giello said, is that Ajayem is always profitable.

"Most companies file Chapter 11 because of long-term sales or profit losses or they lose market share," Giello said. "But here you have a company that is profitable and never reported a loss.

"But they over-expanded a bit and couldn't get the help of their bank."

Giello said Ajayem Lumber demonstrated its resolve by cutting the southern divisions and reducing overhead in its Walden, N.Y., headquarters.

Ajayem Lumber reported sales in excess of $80 million in 1987.

The financials in the Chapter 11 statement listing the company's assets and liabilities could not be obtained by press time.

Pro, Allied merger extends market clout

(Continued from page 1)

hardware wholesalers in 11 states, including such companies as RKB Enterprises, Moore-Handley and Bostwick-Braun.

In total, its wholesalers distribute to an estimated 5,600 member-stores. The organization's aggregate sales this year are expected to reach $650 million, according to officials.

The Chicago-based Allied, with 29 wholesaler-members in 22 states, gives Pro a wider geographic distribution network. Its distributors serve about 800 affiliated dealers and a total of 18,000 accounts. Allied's sales in 1988 are expected to reach $325 million.

(The nation's largest wholesaler marketing group, Liberty Distributors, expects its member sales to reach $1 billion this year.)

The private stock of Allied's members was purchased by Pro to effect the merger. No details of the transaction were released. Allied will cease to exist following the merger, but will retain its name for a period of time.

Gary Cosgrave, president of Pro, said the merger was indicative of the consolidation wave throughout the industry. "It was necessary to position ourselves [for] the next decade," said Cosgrave.

In the past, according to Allied officer Shel Gendelman, Allied members missed out on major vendor discounts because member combined sales levels and category buying power were surpassed by other groups such as Liberty and Sentry Hardware.

Gendelman, president of Hardlines Marketing, a Milwaukee wholesaler, added that Allied's current members may choose to remain in the group strictly for the buying clout, or can also participate in Pro's store remodeling and development program.

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 26 times a year, beginning with the second Monday in January; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers of lumber and building supplies and hardware. Paid subscriptions are available to nonqualifying retailers, manufacturers, other wholesalers, schools, libraries and all others at the rate of $45 per year (26 issues); $54 to Canada. Foreign subscription: Airmail only, $195 per year. U.S. group rates are also available: (prices are per year), 1 to 4 copies, $45; 5 to 39, $41; 40 or more, $37. Single copy rate is $2 except two May issues, first June issue (Annual Census) and first July issue (Consumer Attitude Study), $20 each.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 14, No. 24, Copyright© 1988 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 24 November 28, 1988

Index of Companies in This Issue

Ace Hardware 3,23
ACO 1,4
Agway 1
Ajayem Lumber 2,38
Allied Hardware 1,38
World Industries 2
Barrett Mfg. 23
Black & Decker 2
Bostwick-Braun 38
Bradlees 1
Builders Emporium 37
Builders Square 3,18,19,20,23
Busy Beaver 37
Buy-Rite 20
Chagnon Lumnber 20
Channel Home Centers 6,13,18,19
Chase Pitkin 19
Checkpoint 1
Chicago Specialty 38
CoastAmerica 28
Colorado Outdoors 4
Continental Illinois 2
Crosstown Lumber 3
Denver Drygoods Co. 13
Diamond Lumber 2,19,36
84 Lumber 6,19,24,27
ENAP 20
Federal Lumber 3
Furman Lumber 2,3
General Building Products 6,20
Georgia-Pacific 19,36
Gerrity Building Centers 19,36
GIB Group 3
Great Plains Supply 36
Grossman's 6,18,19,37,38
Hager Hinge 27
Handy Andy 3
Handy Dan 13
Hardlines Marketing 38
Harrigan, Hagan, Bartlett & Meyers 28
Hechinger 1,4,6,18,19,20,37
HomeClub 25
Home Depot 1,3,6,18,19,23,24,25
Hoover Treated Lumber 36
Housatonic Lumber 20
House Works 13
Joseph Home Co. 4
J. P. O'Connor 37
K mart 2
Knogo Corp. 37
Kwikset 26
La Quinta Builders Supply 37
Lampert Lumber 13
Larkfield Lumber 20
Lawrence Brothers 27
Liberty Distributors 38
Lindsley Home Care 2
Lloyd Home & Building Centers 19
Lone Star Hardware 2
Louisiana Pacific 2
Lowe's 3,37
Lumbertown 19
Lyman Lumber 13
Masco 38
May Co. 13
Modell Shoppers World 1,6,18
Moore-Handley 38
Mr. Goodbuys 6,19,23,26
National Home Centers 24
National Lumber 25
National Mfg. 27
NHD Stores 1
Pace Membership Warehouse 13
Payless Cashways 23
Pergament Home Centers 6,19
P.F. O'Connor 19
Ply-Gem Industries 38
Pro Hardware 1,38
Rickel Home Centers 6,18,19,26
RKB Enterprises 38
Robertson Cos. 4
Scherer Lumber 2
Schlage 26
Scotty's 3,18,19,37
Sears, Roebuck & Co. 2,38
Sensormatic 37
Sentry Hardware 38
Sequoia Supply 37
ServiStar 20
Shaw Lumber 3,13
Sherwood Lumber 36
Simpson 27
Sommerville Lumber 18,19
Spartanburg Forest Products 36
Star Lumber 23
Stewart Building Mart 3,13
Strober Organization 19
Tool King 4
Triangle Building Centers 1,4,18
True Value 1
United Hardware Distributors 1
U.S. Gypsum 10
Valu Home Centers 19
Walker Lumber 13
Wal-Mart 2
West Building Materials 24
Westlake Hardware 2,23
Weyerhaeuser 38
Wickes Lumber 19,24,37,38
Yale Lock 26

Advertisers Index

Arrow Fastener 40
Bemis Mfg. 25
M.I.M. Architecturals 13
Cole Sewell 4
Croft Metals 7
Design House 39
Dexter Lock 20
Diamond F 20
Dutch Boy 21
Fluidmaster 6
Forman Industries 6
Furman Lumber 37
General Electric Laminates 28
General Marble 26
Gibson Homans 27
Glidden 4
GTE Sylvania 6
Handy Store Fixtures 13
Holland S.W. 26
Honeywell 26
Hunter Fan 20
Innovative Controls 25
Johnson Pet-Dor 28
Keller Industries 34
Kenney Window Fashions 15
Keystone Franklin 26
Klean Strip 24
Knauf Fiber Glass 26
Lane Publications 38
Larson Mfg. 24
Lumberlok 28
Macco Adhesives 6
Makita Electronics 13
Manville 24
Myro 13
National Mfg. 13
National Store Fixtures 4
Newborn Bros. 6
Panasonic 25
Plumb Shop 16
Price Pfister 25
Schlage Lock 26
Sequentia 25
Stanley Door 22
Tri-Arc Mfg. 25
Universal Rundle 4
W.W. Henry 13
Waxman Industries 5
Weiser Lock 4
Weyerhaeuser Wood 20

This index has been compiled for the convenience of our advertisers and readers. While every precaution is taken to prevent mistakes, the publishers cannot be held responsible for errors or omissions.

When parents come to you with special project needs,

be ready.

Sunset Books

80 Willow Road, Menlo Park, CA 94025-3691
800-227-7346 or in California 800-321-0372

Circle 48 on Reader Service Card